

25 October 2018

AMP agrees to sell wealth protection and mature businesses. Announces intention to divest via IPO New Zealand wealth management and advice businesses

AMP Limited today announces the successful completion of its portfolio review including an agreement to divest its Australian and New Zealand wealth protection and mature businesses (AMP Life) and reinsure New Zealand retail wealth protection for total proceeds of A\$3.45 billion.

The outcomes of the portfolio review are as follows:

- AMP will exit its Australian and New Zealand wealth protection and mature businesses via a sale to Resolution Life¹ for total cash and non-cash consideration of A\$3.3 billion; transaction expected to complete in 2H 2019; subject to regulatory approvals.
- Binding agreement with Swiss Re² to reinsure New Zealand retail wealth protection, releasing additional capital of up to A\$150 million to AMP prior to completion of sale; subject to regulatory approvals.
- Intention to seek divestment of New Zealand wealth management and advice businesses via initial public offering (IPO) in 2019 subject to market conditions and regulatory approvals, unlocking further value.
- Significant capital release will strengthen AMP's balance sheet and provide strategic flexibility; all options for use of proceeds to be evaluated and update to be provided following transaction completion.

Mike Wilkins, AMP's Acting CEO, commented:

"The completion of our portfolio review marks a major step forward in reshaping AMP as a simpler, more focused group, that is well positioned to compete in our core markets.

"Delivering the right outcome for customers, shareholders and employees has been our focus throughout the portfolio review.

"For customers, there will be no change to their existing insurance policy terms or conditions. They will benefit from Resolution Life's deep expertise in managing in-force insurance policies and its commitment to customer service.

"For shareholders, the agreement with Resolution Life and our exit from wealth protection and mature delivers important strategic benefits. It substantially simplifies our portfolio, delivers certainty and frees up capital.

¹ Acquiring entity is Resolution Life Australia Pty Ltd, a wholly owned subsidiary of Resolution Life Group Holdings LP

² Swiss Re Life & Health Australia Ltd, New Zealand Branch

“For employees, it provides certainty of outcome with a business that is culturally aligned with AMP. Our highly-experienced teams supporting insurance and mature customers are expected to largely transfer with the sold businesses, delivering continuity and stability for customers.

“Looking forward, our incoming CEO, Francesco De Ferrari has the mandate to transform AMP. The outcomes from the portfolio review will create greater flexibility as he sets the new strategy for our simplified business portfolio.”

Sir Clive Cowdery, Resolution Founder and Resolution Life Executive Chairman said:

“Resolution Life is delighted to be partnering with AMP on this transaction. We have great respect for the long and proud history of AMP’s life insurance business in Australia and New Zealand.

“Over 15 years and the acquisition of 27 life insurance companies, Resolution has developed an operating model which puts delivering policyholder benefits to existing customers at the centre of our business.

“The acquisition of AMP Life is consistent with our strategy to grow the business beyond our traditional markets in Europe and the United States and we see scope for further consolidation in the Australian life market.”

Wealth protection and mature – Resolution Life transaction summary

Under the terms of today’s agreement, AMP will sell its Australian and New Zealand wealth protection and mature businesses (AMP Life) to Resolution Life for a total consideration of A\$3.3 billion, which comprises:

- A\$1.9 billion in cash.
- A\$300 million in AT1 preference shares in AMP Life (issued on transaction completion).
- A\$1.1 billion in non-cash consideration:
 - o Economic interest in future earnings from the mature business, equivalent to A\$600 million; expected to provide steady ongoing earnings to AMP of approximately A\$50 million after tax per annum, assuming an annual run-off at 5 per cent.
 - o A\$515 million interest in Resolution Life, focused on the acquisition and management of in-force life insurance books globally.

AMP expects to monetise all non-cash consideration over time.

Together with the New Zealand reinsurance agreement, the total value equates to approximately 0.82x pro forma embedded value of the sold businesses at 30 June 2018, excluding franking credits.

Resolution Life assumes risk and profits of the wealth protection and mature businesses from 1 July 2018³, subject to Australian wealth protection risk-sharing arrangements.

A new Relationship Agreement has been established with Resolution Life and AMP Capital will continue to manage wealth protection and mature assets under management. AMP Capital will also join Resolution Life’s global panel of preferred asset managers.

The transaction is subject to regulatory approvals and other conditions precedent and is expected to complete in 2H 2019.

³ AMP is entitled to continue extracting dividends pre-completion, with an adjustment at transaction completion.

Partnering to ensure smooth transition for customers

Resolution Life is an international insurance and reinsurance group whose management has a 15-year track record in providing quality service to in-force insurance customers.

The transaction has been designed to ensure all existing terms and conditions will be retained. The teams supporting existing AMP customers will largely transfer on completion to maintain continuity of service.

AMP and Resolution Life will work closely together to ensure a smooth transition for customers.

New Zealand wealth protection reinsurance

AMP has entered into a binding reinsurance agreement with Swiss Re for the New Zealand retail wealth protection portfolio which is expected to release up to A\$150 million of capital to AMP, subject to regulatory approval. The agreement is expected to be effective from 31 December 2018, and will cover approximately 65 per cent of the New Zealand retail wealth protection portfolio for new claims incurred from that date.

The reinsurance agreement is expected to reduce New Zealand profit margins by A\$20 million on a full-year basis. The reinsurance outcomes are factored into the Resolution Life transaction.

New Zealand wealth management and advice businesses

AMP is today also announcing its intention to seek divestment of its New Zealand wealth management and advice businesses via an IPO in 2019. The decision to proceed with an IPO and its timing remain subject to market conditions and regulatory approvals.

These businesses have FY18 pro forma operating earnings of approximately A\$40 million on a standalone basis. The IPO would release capital to AMP and create a standalone New Zealand wealth management and advice business.⁴

Portfolio review outcomes will release capital, simplify portfolio and create strategic flexibility

The completion of the portfolio review will strengthen AMP's balance sheet and provide strategic flexibility. All options for use of proceeds will be considered including growth investments and/or capital management activity.

The exit from Australian and New Zealand wealth protection and mature will also significantly simplify AMP and its earnings profile, enabling it to focus on its higher growth businesses of Australian wealth management, AMP Capital and AMP Bank.

The simplification and separation costs related to the Resolution Life sale transaction are expected to be in the order of A\$320 million post-tax.

⁴ The proposed IPO has not yet commenced and no offers of securities are currently being made, nor application monies sought. If the proposed IPO proceeds, it will be made under the Financial Markets Conduct Act 2013 (NZ) and a product disclosure statement will be made available by an AMP group entity that has not yet been determined. Anyone who wants to acquire securities under the proposed IPO will need to complete the application form that will be in or will accompany the product disclosure statement.

Additional capital from the transaction with Resolution Life will facilitate a reduction in AMP's corporate debt of up to A\$800 million.

The financial impacts of the transaction on AMP post-separation are outlined in the investor presentation.

AMP will exclude the 2H 18 earnings from the discontinued businesses in determining the FY 18 dividend. AMP continues to target a total FY 18 dividend payout within, but towards the lower end of its dividend guidance range of between 70 – 90 per cent of underlying profit.

Further guidance on use of proceeds will be provided following the completion of the transaction in 2H 2019.

Further information: an investor presentation has been lodged with the ASX.

AMP Limited will host a conference call for investors and analysts at 9.30am AEDT this morning. Investors and analysts should call:

Australia Toll Free:	1800 838 758
New Zealand Toll Free:	0800 447 258
Canada/USA Toll Free:	1 855 237 2970
Hong Kong Toll Free:	800 901 654
Japan Toll Free:	0053 116 1314
Singapore Toll Free:	800 852 9513
United Kingdom Toll Free:	0800 051 4282
Metered number for all other countries:	+61 7 3145 4004
For assistance:	+61 2 9005 1060

Media enquiries

Catherine Woods
Mobile: +61 477 320 333

Mark Roberts
Mobile: +61 466 328 581

Investor enquiries

Howard Marks
Phone: +61 2 9257 7109
Mobile: +61 402 438 019

Michael Leonard
Phone: +61 2 9257 5207
Mobile: +61 466 773 093

About Resolution Life

Since 2003, various Resolution entities have committed US\$13.6bn of equity in the acquisition, reinsurance, consolidation and management of 27 life insurance companies. Together, these companies have served the needs of 10 million policyholders while managing over US\$300bn of assets.

Resolution Life has operations in London, Bermuda, and United States.

Resolution Life provides a safe and reliable partner for insurers as they re-structure by:

- Focusing on existing customers, rather than seeking expansion by new sales
- Delivering policyholder benefits in a secure, well capitalised environment
- Returning capital over time to our institutional investors in the form of a steady dividend yield

Visit <https://resolutionlife.com/> for more information.